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December 5, 2001

Commissioner Jim Irvin
Commissioner Marc Spitzer
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Electric Competition Rules RE-00000C-94-0165

Dear Fellow Commissioners:

Over the last number of months we have all heard substantial discussion over the future of electric restructuring in Arizona, the West and elsewhere in the United States. Recently, in a filing responding to Docket E-00000A-01-0630 concerning the AISA, Arizona Corporation Commission (ACC) Staff advocated "perform[ing] a comprehensive reevaluation of the [retail electric competition] rules so that a different path can be established for the transition to competition."

I personally hold the position that elected officials do not act responsibly when they refuse to examine, without clear reason, their own public policy decisions. Certainly there are decisions that I have made, as a Judge, Commissioner and State Representative, that I am comfortable with and for which there would be no reasonable basis for reopening my original decision. On the other hand, there have been decisions I have made that I wish I could revisit.

As of today, my votes on the retail electric competition rules and the stranded cost settlements with Arizona Public Service and Tucson Electric Power, however, do not fit in either of these categories. I support the development of competitive markets, when they are possible, and voted in favor of the three previously mentioned electric competition actions. I believe the efforts made by the ACC in those actions struck a balance between the goals of developing a competitive market and the protection of consumers through stable—actually lower—rates during an interim period. In addition, the Commission has taken a responsible approach to energy supply considerations. New plants or existing plant expansions have been approved, we have sought to promote the development of renewable and environmentally sound sources of energy, and we have sought to protect Arizona's stake in natural gas supply and transport matters. Through these actions, we have been—and will continue to be—able to avoid many of the problems that have struck large portions of our neighbor to the West. With

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stabilization in natural gas prices, California and the entire Western United States—should be in a much better position than was experienced earlier this year.

Nevertheless, the California experience has given me reason to pause and rethink the concept of restructuring the electric market. While I am not ready to “pull the plug” on my votes and previous positions, I want to take a closer look at the direction of current Arizona policy. From my perspective, I would be derelict in the performance of my responsibilities if I did not either affirmatively validate the path we are currently on, or make a reasoned and informed decision to make changes (which could range from minor adjustments to major policy shifts).

To that end, I will be sending out a letter to interested parties that will seek input on questions regarding electric restructuring in Arizona. That letter will be a precursor to a public meeting that I will ask to be scheduled. I ultimately want to require those that want to stay the course to defend that position. I also want those seeking changes to provide *specific* proposals regarding what they believe should be changed. Such public deliberations will assist me in reaching a final conclusion regarding what position I will take on the matter of restructuring.

I seek your support in establishing such a process and ensuring that it remains substantive and concrete.

Sincerely,

A handwritten signature in cursive script that reads "William A. Mundell".

William A. Mundell, Chairman
Arizona Corporation Commission

cc: Ernest Johnson, Utilities Director
Lyn Farmer, Chief Hearing Officer
Chris Kempley, Chief Counsel
Brian McNeil, Executive Secretary
Docket Control